

EDANZ Economic Monitoring Report

December 2005 Quarter

PREPARED BY

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FOR

NELSON CITY COUNCIL

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Regional Level Overview, Nelson, Tasman and Marlborough Regions

	Nelson	Tasman	Marlborough
No. new residential building consents	71	56	120
Percentage change*	-16.5	-28.2	15.4
Value new residential building consents (\$)	14,927,713	11,095,939	25,422,069
Percentage change*	0.8	-31.9	28.0
No. new non-residential building consents	40	67	95
Percentage change*	0.0	-10.7	14.5
Value new non-residential building consents (\$)	3,965,114	4,688,600	11,480,869
Percentage change*	6.6	-35.3	-15.9
Retail trade (\$M)	144	191	179
Percentage change*	-13.3	16.4	5.0
Cargo loaded - export (tonnes)	279,530 ¹	-	112,679 ²
Percentage change*	-14.6	-	10.5
Cargo unloaded - import (tonnes)	20,740 ¹	-	0 ²
Percentage change*	-48.4	-	(*)
Residential property sales	327	105	319**
Percentage change*	-4.4	-2.8	0.3
New vehicle registrations	843 ³	-	386#
Percentage change*	0.2	-	4.9
Visitor arrivals	75,416	80,777	109,132
Percentage change*	-7.9	4.9	-4.9
Visitor nights	144,766	162,017	186,864
Percentage change*	-6.4	2.5	1.2
Employment - total (000s)			
Percentage change*			
- primary (Tasman/Nelson/Marlborough/West Coast) (000s)	13.9	-	-
- Percentage change*	-8.6	-	-
- secondary (Tasman/Nelson/Marlborough/West Coast) (000s)	14.2	-	-
- Percentage change*	6.0	-	-
- tertiary (Tasman/Nelson/Marlborough/West Coast) (000s)	62.4	-	-
- Percentage change*	-2.0	-	-
Unemployed no.	475	543	(***)
Percentage change*	13.4	(***)	
Unemployment rate (%)	1.7	(***)	(***)

* current quarter to same quarter of previous year

**Marlborough / Kaikoura Districts combined

(***) not available

¹ Nelson² Picton³ Nelson Postal District

Blenheim Postal District

(*) undefined Value

Source: Statistics New Zealand, Building Consents, Accommodation Survey and Regional Labour Market Estimates (Experimental)

Regional Level Overview: Nelson, Tasman and Marlborough

- Year-on-year growth in economic activity in Nelson-Marlborough was estimated by the National Bank to be 0.7% for the year ended December 2005. Comparatively, the National Bank's nationwide measure of economic activity rose by 2.2% for the year ended December 2005. According to Statistics New Zealand, the New Zealand economy grew 2.2% between the year ended December 2004 and the year ended December 2004.
- The value of retail sales for Nelson, Tasman and Marlborough were \$144 million, \$191 million, and \$179 million respectively in the December 2005 quarter. Year-on-year growth rates in the value of retail sales for Nelson, Tasman and Marlborough were -13.3%, 16.4% and 5.0% respectively over the same period. Nationally, the value of retail spending in the December quarter of 2005 was 5.2% higher than in the December 2004 quarter.
- In the December 2005 quarter, 71, 56 and 120 residential consents were authorised for dwellings in Nelson, Tasman and Marlborough respectively. These represented -16.5%, -28.2 and 15.4% changes from the number of consents issued in Nelson, Tasman and Marlborough respectively in the December 2004 quarter. The \$14.93 million, \$11.10 million and \$25.42 million values of residential consents authorised in the December 2005 quarter changed by 0.8%, -31.9% and 28.0% from the values recorded in the same quarter of 2004 for Nelson, Tasman and Marlborough respectively. The national growth rate in the number of consents authorised for residential dwellings was -13.9% for the year to December 2005 while the percentage change in the value of residential consents authorised in New Zealand over the same period was -1.8%.
- Year-on-year growth rates in the number of non-residential dwelling consents authorised were 0.0%, -10.7% and 14.5% for Nelson, Tasman and Marlborough respectively for the year to December 2005. Year-on-year growth rates in the value of non-dwelling consents issued over the same period were 6.6%, -35.3% and -15.9% for Nelson, Tasman and Marlborough respectively. The number of non-residential buildings authorised in New Zealand in the December quarter of 2005 represented a 1.6% decrease on the number of consents authorised in the December quarter of 2004 while the percentage change in the value of new non-dwelling consents authorised in New Zealand over the same period was 0.7%.
- The volume of property sales in Nelson, Marlborough/Kaikoura and Tasman changed by -4.4%, -2.8% and 0.3% respectively between the December 2004 and December 2005 quarters. Nationally, the volume of residential property sales over the same period represented a 5.0% change.
- In the December quarter of 2005, 843 new vehicles were registered in the Nelson and 386 in Blenheim. These figures represented 0.2% and 4.9% changes in the number of car registrations recorded between the December 2004 and December 2005 quarters in Nelson and Blenheim respectively. The number of vehicles registered in New Zealand increased by 0.6% during the same period.
- There was a -14.6% and 10.5% change in the number of tonnes of cargo loaded at ports located at Nelson and Picton between the December 2004 and December 2005 quarters while there was a 0.5% increase in the tonnage loaded in New Zealand over the same period.
- There was a decrease of 48.4% in the tonnage unloaded at the Port of Nelson between the December 2004 and December 2005 quarters while there was a 15.4% decrease in the tonnage unloaded in New Zealand over the same period.

- The number of people estimated to be unemployed in Nelson as at December 2005 was 475 while the number estimated for Tasman was 543. The number of people estimated to be unemployed in Nelson as at December 2005 quarter was a 13.4% increase on the number estimated to be unemployed as at December 2004. There was a 0.7% increase between the December 2004 and December 2005 quarters in the number of people estimated to be unemployed in New Zealand as a whole.
- The unemployment rate in Nelson as at December was estimated to be 1.7%. This rate was an increase of 0.1 percentage points from December 2004. The national unemployment rate in December 2005 was estimated to be 3.5%, the same as that estimated as at December 2004.
- The year-over-year growth rate in the number of visitor arrivals to Nelson, Tasman and Marlborough Regions was -7.9%, 4.9% and -4.9% respectively for the year to December 2005. At the national level there was a decrease of 1.2% in visitor arrivals between the December quarter of 2004 and the December quarter of 2005.
- The year-over-year growth rate in visitor nights for the Nelson, Tasman and Marlborough Regions was -6.4%, 2.5% and 1.2% respectively for the year to December 2005. At the national level there was a decrease of 1.1% in visitor nights over the same period.

New Zealand Economic Overview

This section presents current information on recent national business events, along with an update on key economic indicators.

Inflation

According to Statistics New Zealand (SNZ), the Consumer Price Index (CPI) increased by 0.7% in the December quarter of 2005. This was lower than the estimates of 0.9% and 0.8% expected by the Reserve Bank of New Zealand (RBNZ) and the market respectively. Quarterly movements for September, June and March quarters of 2005 were 1.1%, 0.9% and 0.4% respectively. Annual inflation was 3.2% for the year to December 2005 whereas it was 3.4% for the September 2005 year.

All of the nine groups in the CPI recorded increases over the quarter. The housing, transportation and food groups made the largest contributions to the increase in the value of the index.

Over the December 2005 quarter, prices in the housing group increased by 1.2%. In particular, prices for building and buying new dwellings rose by 1.6%. If construction prices had not increased, the CPI would have decreased by only 2.6%. Compared to a year ago, prices in the housing group increased by 5.8%. This was due to higher construction costs (6.4%↑), real estate agent fees (20.1%↑) and local authority rates (7.4%↑).

The quarterly index for the transportation group increased by 1.0% in the December quarter. The biggest upward contribution in this group came from international airfares. These prices increased by 12.3%. Notably, this was the largest increase since the June quarter of 1981 and was predominantly caused by a seasonal lift in prices on Asian routes. Price falls on petrol (3.0%↓) and used cars (2.0%↓) partly offset the upward movements in the transportation group. Interestingly, on an annual basis petrol prices increased by 17.4% and international air travel dropped 3.2% whereas quarterly price movements for these moved in opposite directions.

Led by an increase of 2.9% in the meat, fish and poultry subgroup, food prices were 0.5% higher than those three months ago. This brought annual food inflation to 1.5% for the year to December 2005. Other groups, such as recreation and education (0.8%↑), personal and health care (0.4%↑) and apparel (0.5%↑) all showed small but positive percentage changes over the quarter.

The fall of the annual CPI from 3.4% to 3.2% signalled that inflation may have peaked. In response to this tentative signal the RBNZ did not increase the Official Cash Rate in January 2006.

Exports

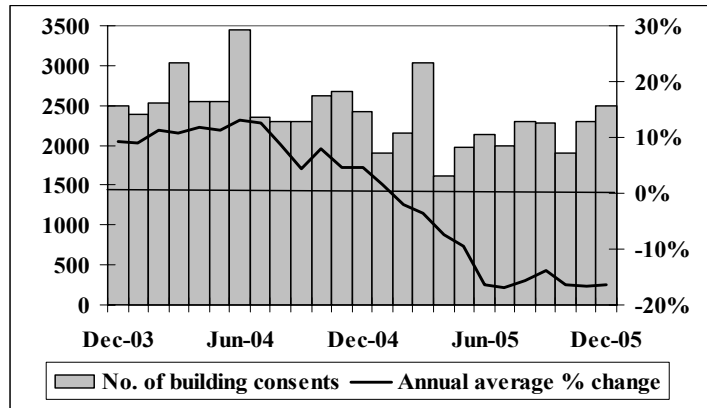
The latest statistics for the month of December 2005 showed that exports were valued at \$2,651 million. Exports of merchandise goods in December 2005 grew by \$110 million (or 4.3%) compared to the value of exports recorded in December 2004. Strong international demand for dairy products was the main driver behind the growth.

Imports of merchandise goods were valued at \$2,943 million for December 2005. This figure was a decrease of \$124 million (or 4.0%) on the value of imports recorded in December 2004. The main causes of this decrease were falls in the importation of mechanical machinery and equipment, vehicles and fertilisers. This brought the December trade deficit to \$292 million. This result was slightly worse than the average deficit of \$279 million for December months during the last decade.

For the year to December 2005 merchandise exports totalled \$30,820 million, with a small growth of 0.4% (\$108 million) on the value of exports recorded in the year to December 2004. The value of imports however reached \$37,261 million for the year ended December 2005. This figure was an increase of \$2,345 million (or 6.7%) from the value of exports recorded for the year ended December 2004. As a result, the merchandise trade balance was a deficit of \$6,441 million. This deficit was the largest recorded for a calendar year.

Key Indicator Trends

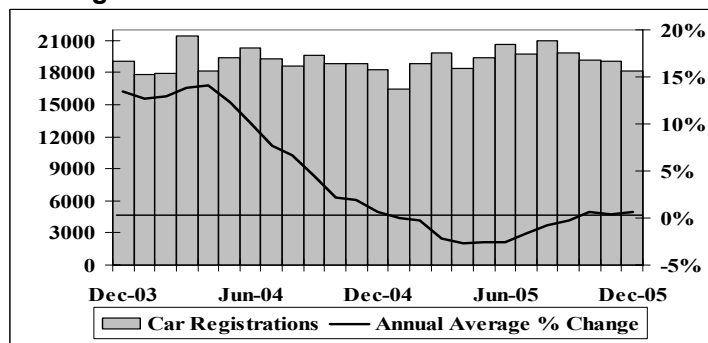
Building Consents



Source: Department of Statistics Building Surveys and Vitals Section

There were a total of 2,491 consents issued for residential dwellings nationwide during December 2005. The value of these consents was approximately \$484.6 million. This was the highest number of consents issued since April 2005, and was higher than the 2,416 new residential building consents issued in December 2004. The annual average growth rate in the number of new residential building consents issued in New Zealand was -16.3% for the year to December 2005.

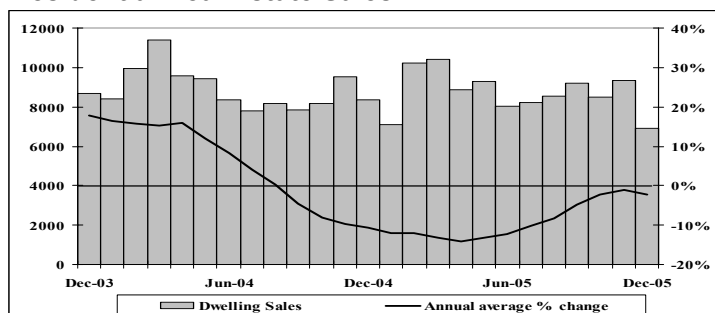
Car Registrations



Source: Land Transport Safety Authority

Since reaching a high in August 2005, the number of car registrations has decreased. There were 18,139 cars (including new and ex-overseas car types) registered in the last month of 2005. This figure was down from 19,038 car registrations recorded in November, and was also lower than the 18,321 cars registered in December 2004. The annual average growth rate in the number of car registrations was 0.7% for the year ended December 2005.

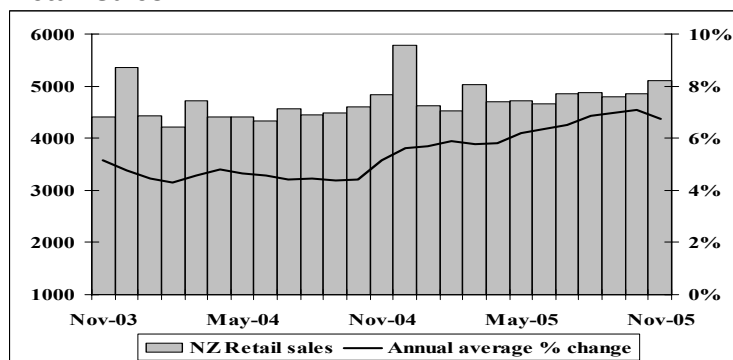
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

There were 6,906 house sales recorded in December compared with 9,357 recorded in November 2005. Comparatively, there were 8,377 house sales recorded in December 2004. The annual average percentage change in the number of residential house sales was -2.3% for the year ended December 2005.

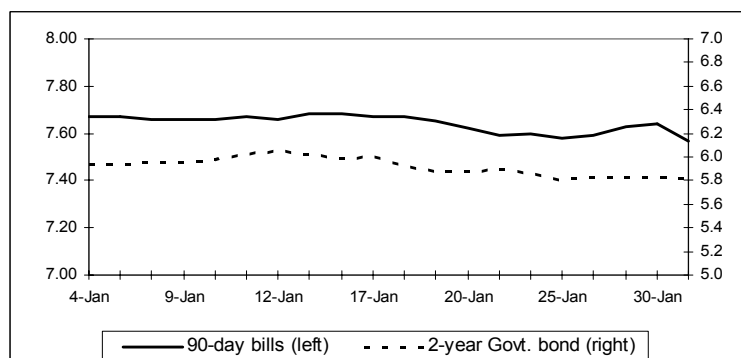
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

National retail sales activity remained buoyant in November 2005. The value of sales totalled \$5,110.6 million during the month, up from \$4,895.5 million in October, and an increase of \$267.1 million (or 5.5%) compared to November 2004. The annual average growth rate in the value of national retail sales was 6.7% for the year to November 2005.

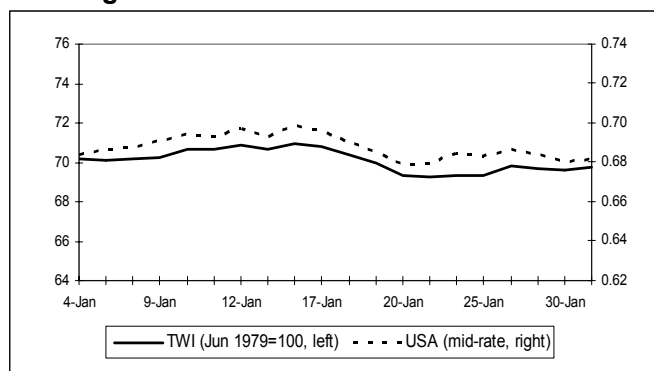
Interest Rates



Source: Reserve Bank of New Zealand

The statement released by the RBNZ in January 2006 indicated the end of monetary policy tightening for the current economic cycle. Consequently, wholesale interest rates fell. By the end of the month, 90-day bill rates had fallen to 7.6%.

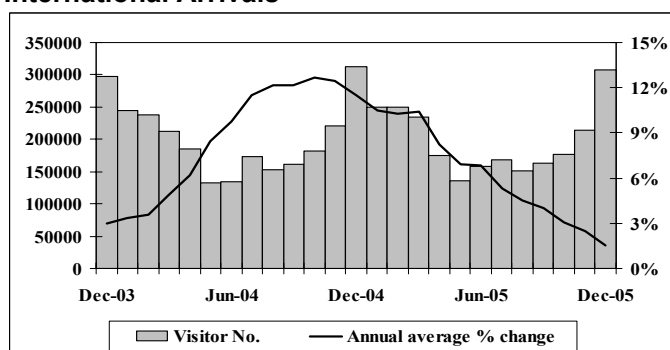
Exchange Rates



Source: Reserve Bank of New Zealand

The value of the New Zealand dollar continued to depreciate against the value of our major trading partners' currencies during the first half of January 2006. However, the Kiwi dollar stabilised in the second half of January. By the end of the month the Trade-Weighted Index stood at 69.8 points.

International Arrivals



Source: Statistics New Zealand

December is the peak season for New Zealand's international visitor market. This was true for December 2005 when 307,100 short-term overseas visitors entered the country. Visitor numbers decreased by 5,957 (or 1.9%) on the number recorded in December 2004. The annual average growth rate in the number of international visitor arrivals to New Zealand was 1.5% for the year to December 2005.

Summary

Following flat GDP growth in the third quarter of 2005, the latest CPI figures suggest that inflation is beginning to abate. According to the New Zealand Institute of Economic Research (NZIER), business confidence fell in the December 2005 quarter. A net 61% of firms expected the general economic environment to deteriorate over the next six months. This is nearly double the number of firms who took a similar view in the previous quarterly NZIER opinion survey. This result was the most pessimistic since the March quarter of 1986.

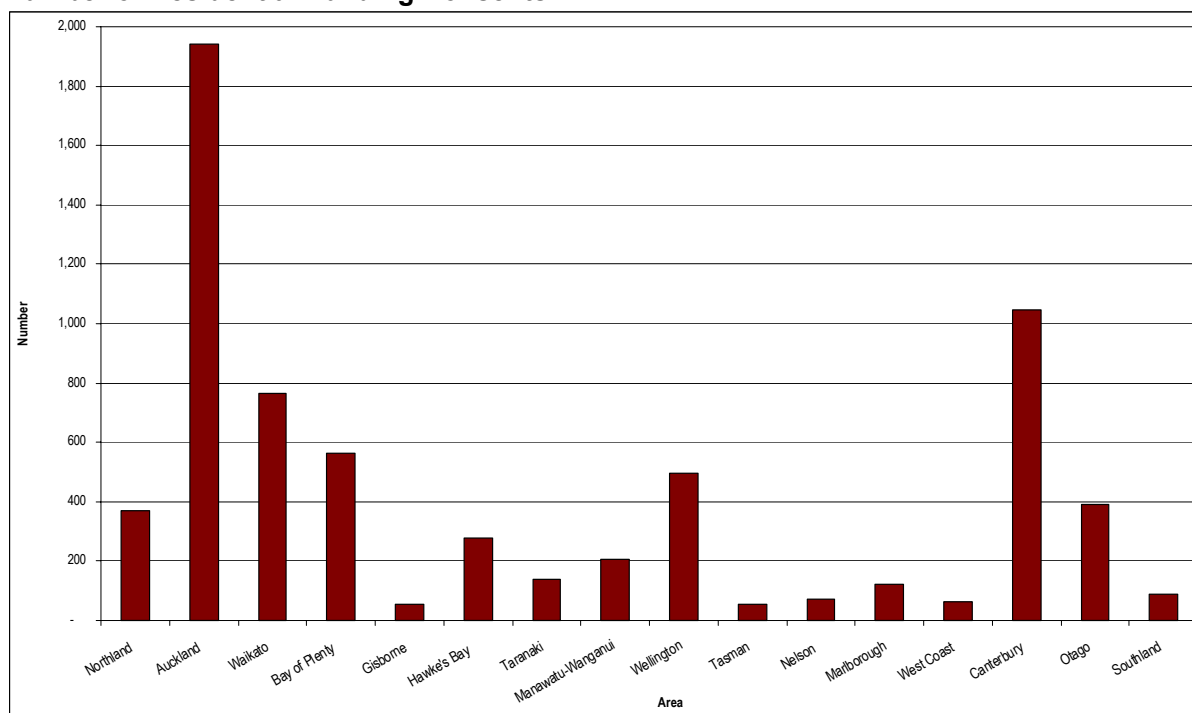
The manufacturing sector was the most affected with a net 69% of firms expressing a negative opinion. Merchants were the least negative with a net 51% of firms feeling dismayed about the state of the economy however this can be compared with a net 26% who expressed a negative opinion in the September quarterly survey.

Firms investment intentions decreased from a net +3% in the previous survey to a net -15% in the latest survey. While firms are having difficulty finding employees, the ease at which they are able to find labour has improved. A net 33% of firms in the December quarter of 2005 reported having difficulty finding skilled labour compared with a net 61% in the same quarter last year. For unskilled labour a net 17% of firms had difficulty versus a net 40% in the December quarter of 2004. A net 4% of firms intend to reduce staff over the next three months whilst a net 5% have increased staff over the past three months.

Residential Building Consents

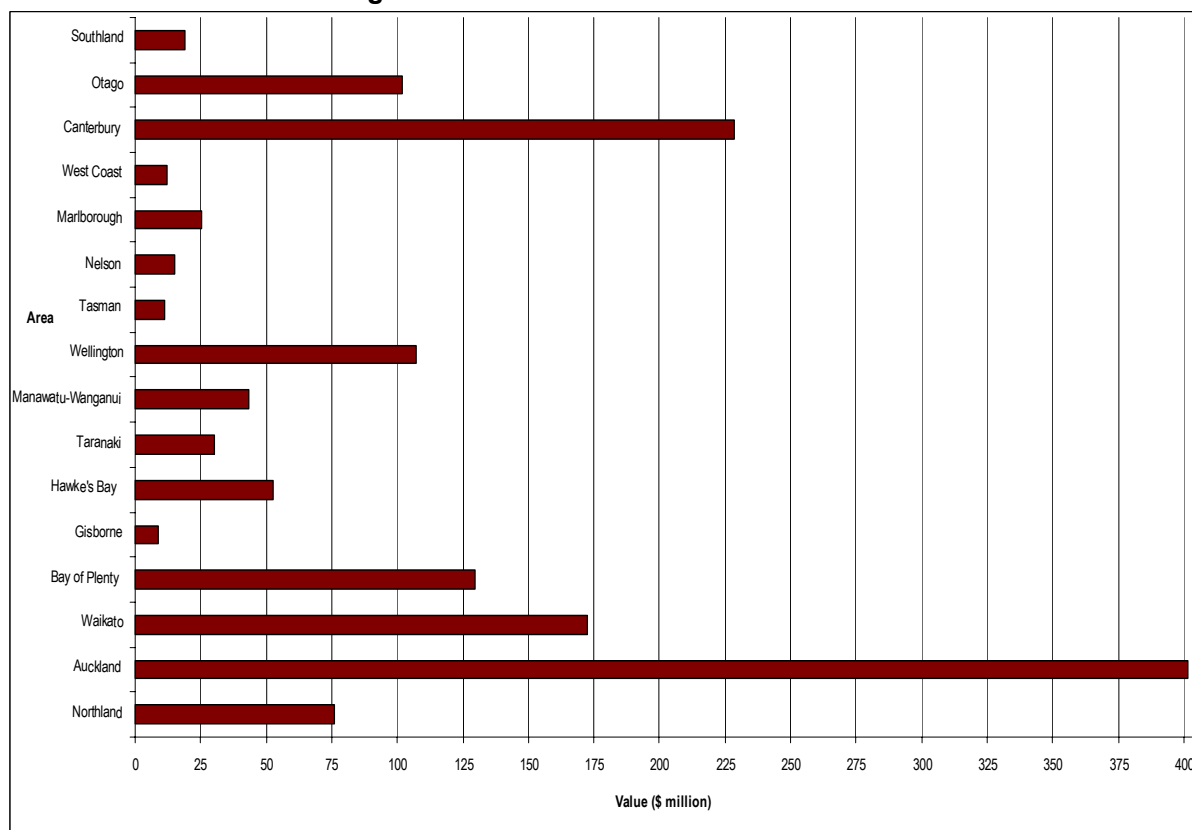
- In the December 2005 quarter, 71, 56 and 120 consents were authorised for dwellings in Nelson, Tasman and Marlborough respectively. These consents represented year-on year growth rates of -16.5%, -28.2% and 15.4% for Nelson, Tasman and Marlborough respectively for the year to December 2005.
- The \$14.93 million, \$11.10 million and \$25.42 million values of residential consents authorised in the December 2005 quarter changed by 0.8%, -31.9% and 28.0% from the values recorded in the December 2004 quarter for Nelson, Tasman and Marlborough respectively.
- The national growth rate in the number and value of new consents authorised for residential dwellings was -13.9% and -1.8% respectively for the year to December 2005.

Number of Residential Building Consents



Source: Statistics New Zealand, Building Consents

Value of Residential Building Consents

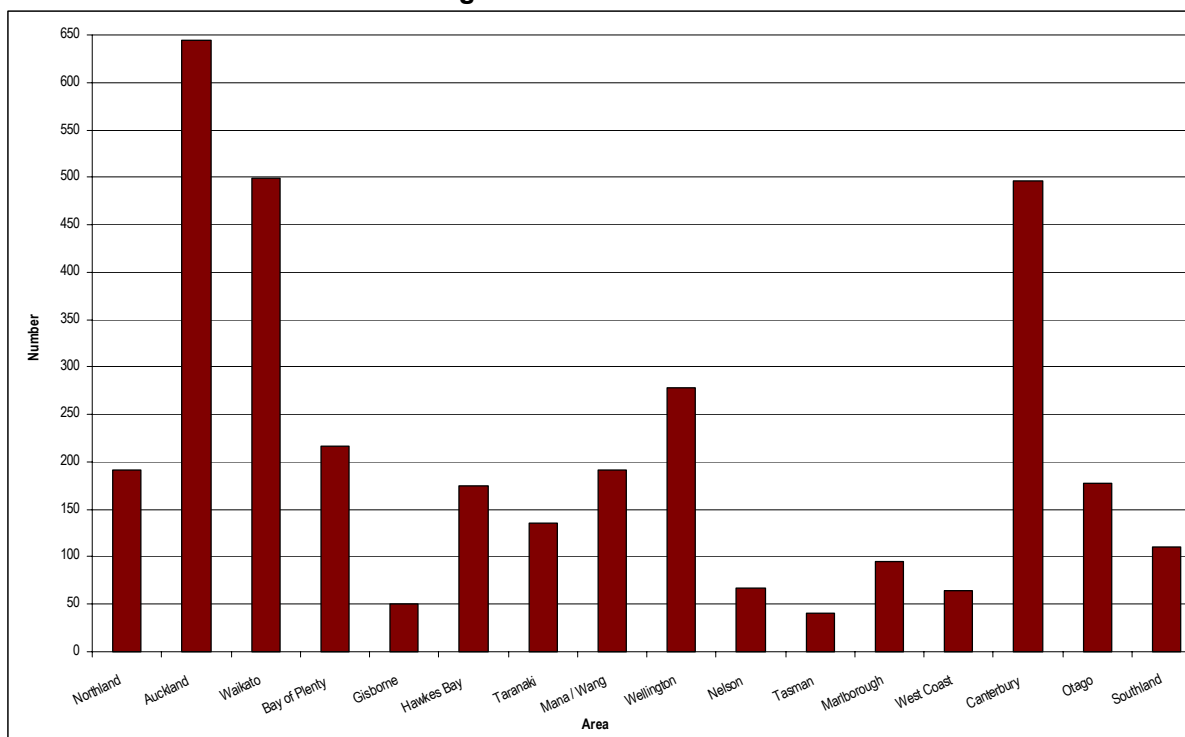


Source: Statistics New Zealand, Building Consents

Non-Residential Building Consents

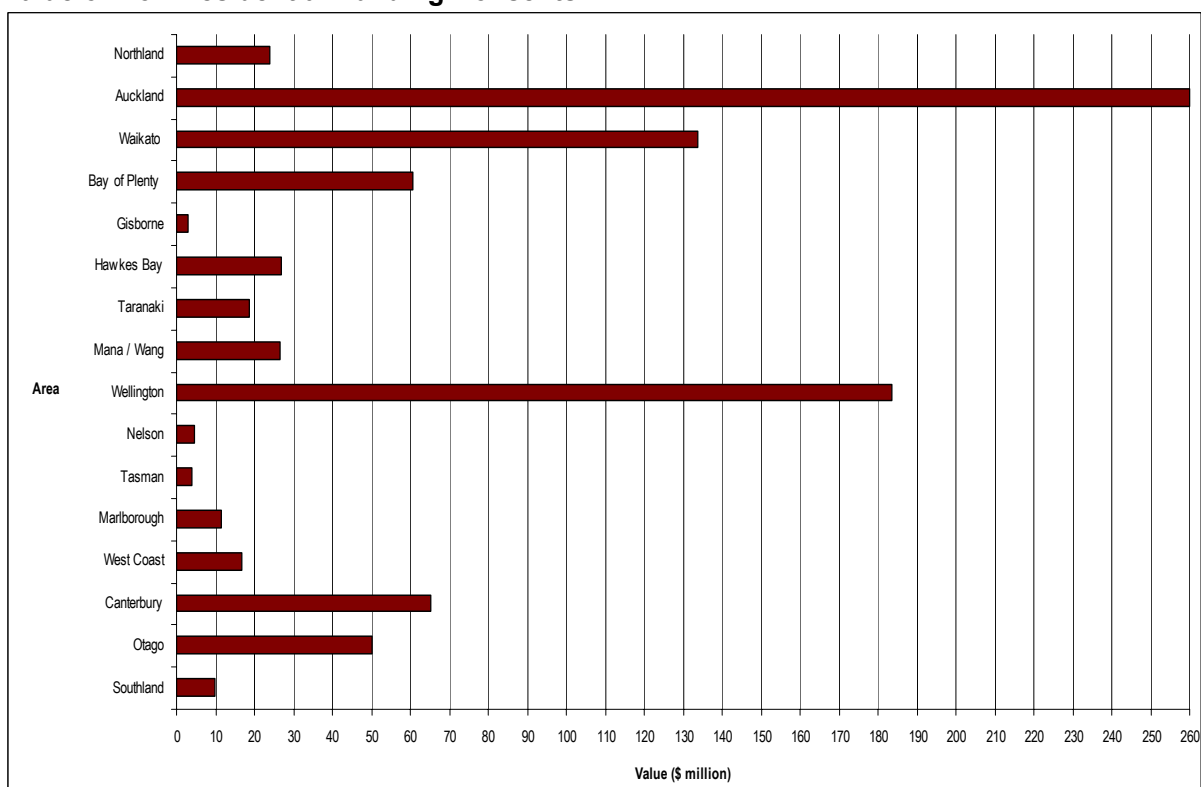
- Year-on-year growth rates in the number of non-residential dwelling consents authorised were 0.0%, -10.7% and 14.5% for Nelson, Tasman and Marlborough respectively for the year to December 2005. Year-on-year growth rates in the value of non-dwelling consents over the same period were 6.6%, -35.3% and -15.9% for Nelson, Tasman and Marlborough respectively.
- Nationally, the number and value of non-residential buildings authorised in the December quarter of 2005 represented a 1.6% decrease and a 0.7% increase compared to the number and value of consents authorised in the December 2004 quarter.

Number of Non-Residential Building Consents



Source: Statistics New Zealand, Building Consents

Value of Non-Residential Building Consents

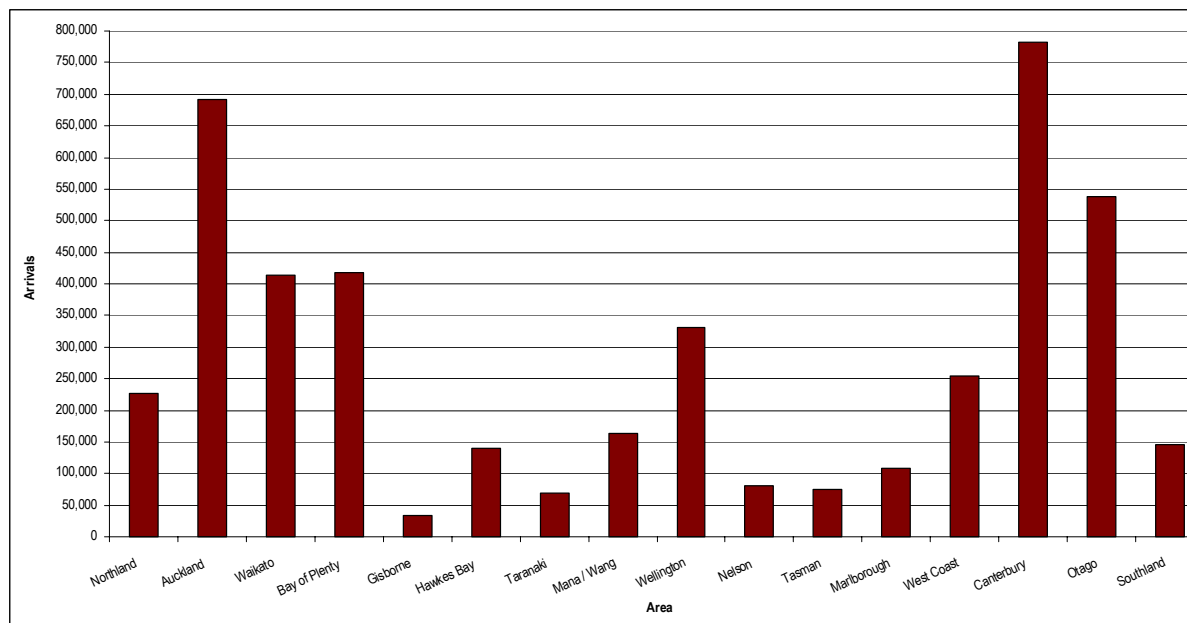


Source: Statistics New Zealand, Building Consents

Visitor Arrivals

- The year-over-year growth rate in the number of visitor arrivals to Nelson, Tasman and Marlborough Regions was -7.9%, 4.9% and -4.9% respectively for the year to December 2005. At the national level there was a decrease of 1.2% in visitor arrivals over the same period.

Visitor Arrivals

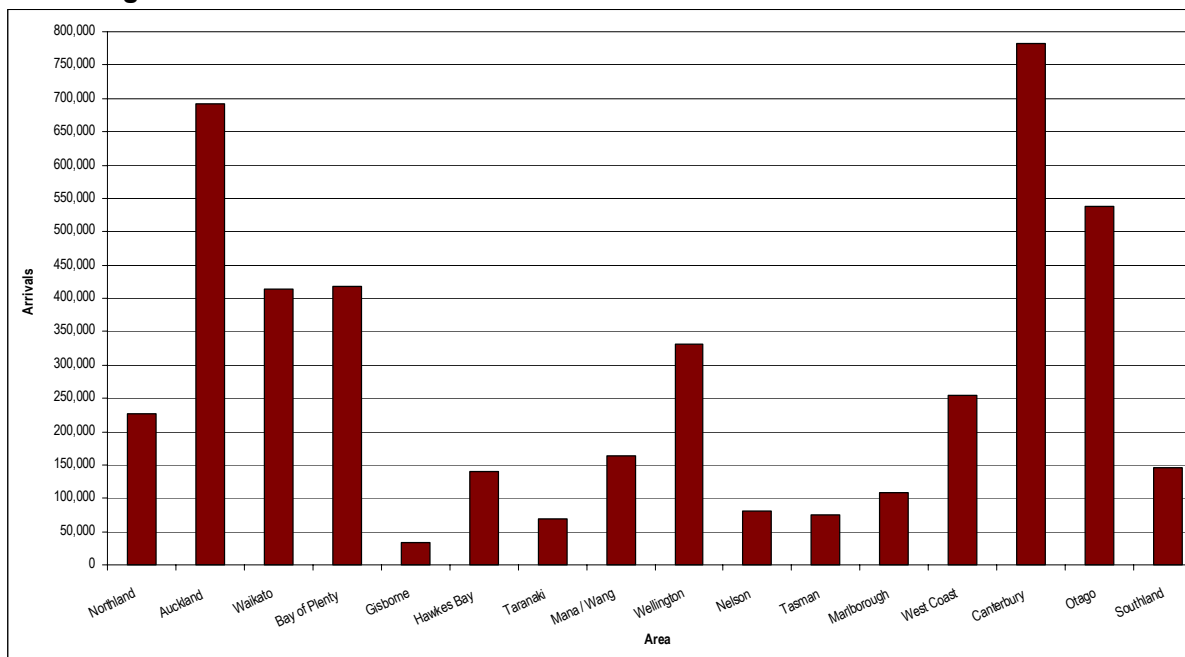


Source: Statistics New Zealand, Accommodation Survey

Visitor Nights

- The year-over-year growth rate in visitor nights for the Nelson, Tasman and Marlborough Regions was -6.4%, 2.5% and 1.2% respectively for the year to December 2005. At the national level there was a decrease of 1.1% in visitor over the same period.

Visitor Nights



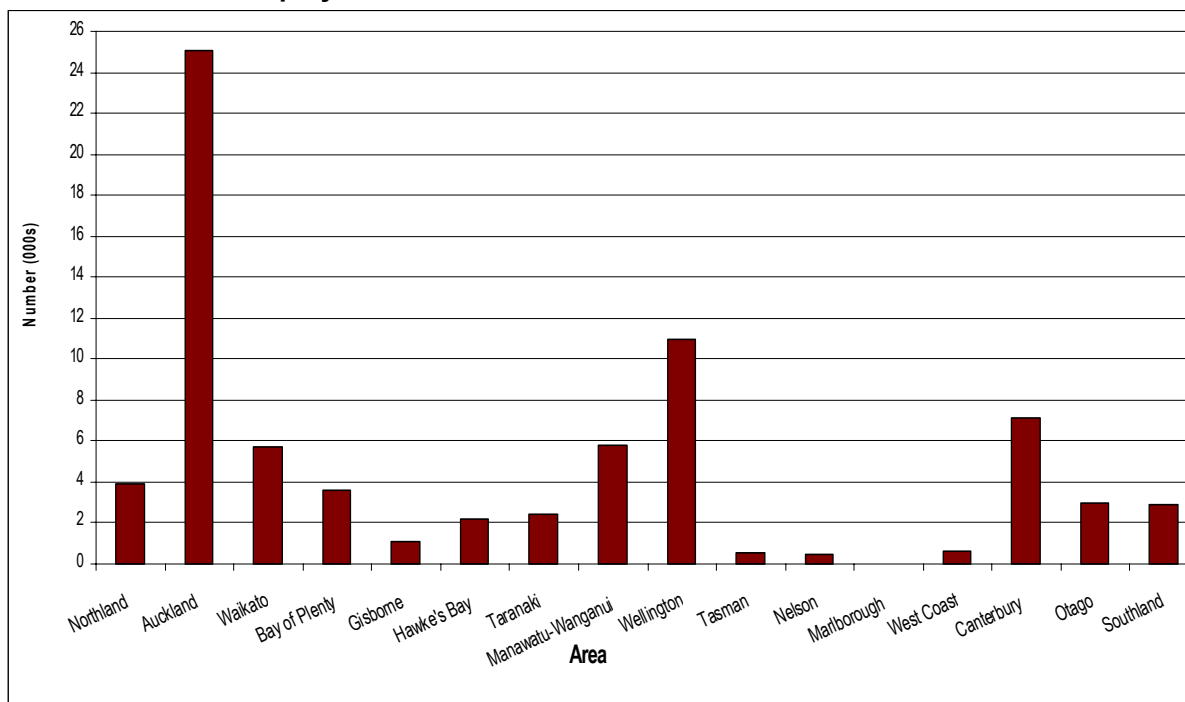
Source: Statistics New Zealand, Accommodation Survey

Unemployment¹

- The number of people estimated to be unemployed in Nelson as at December 2005 was 475 while the number estimated for Tasman was 543. For Nelson this was a 13.4% increase on the number estimated to be unemployed as at December 2004. There was a 0.7% increase between the December 2004 and December 2005 quarters in the number of people estimated to be unemployed in New Zealand.
- The unemployment rate in Nelson as at December 2005 was estimated to be 1.7%. This was an increase of 0.1 percentage points from the December 2004 unemployment rate.
- The national unemployment rate as at December 2005 was estimated to be 3.5%, the same as that estimated for December 2004.

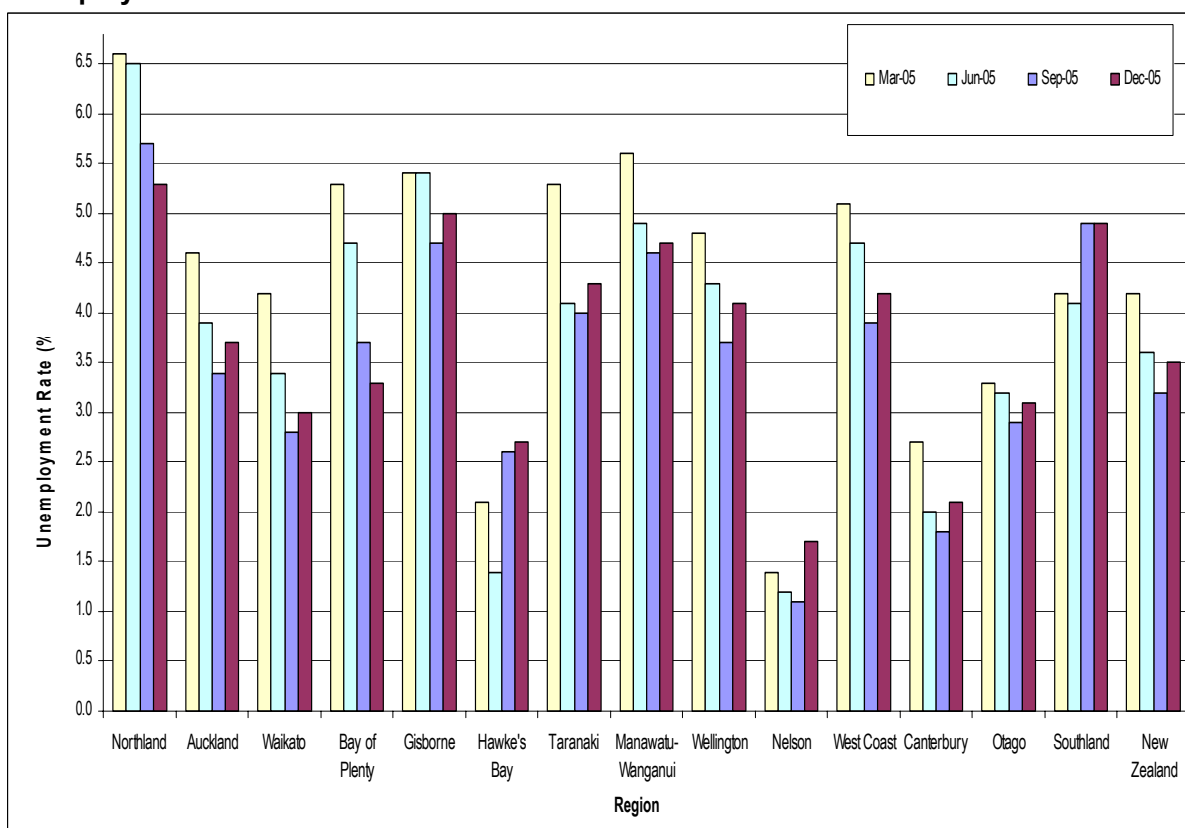
¹ Note that the unemployment and unemployment rate statistics provided in this section are Statistics New Zealand, Regional Labour Market Estimates (Experimental). Therefore, unemployment and unemployment rate statistics provided will not directly match HLFS figures for the December quarter of 2005. The Regional Labour Market Estimates are predictions made by a model whereas the HLFS is an organised survey. The Regional Labour Market Estimates are based upon HLFS data.

Total Numbers Unemployed



Source: Statistics New Zealand, Regional Labour Market Estimates (Experimental)

Unemployment Rate

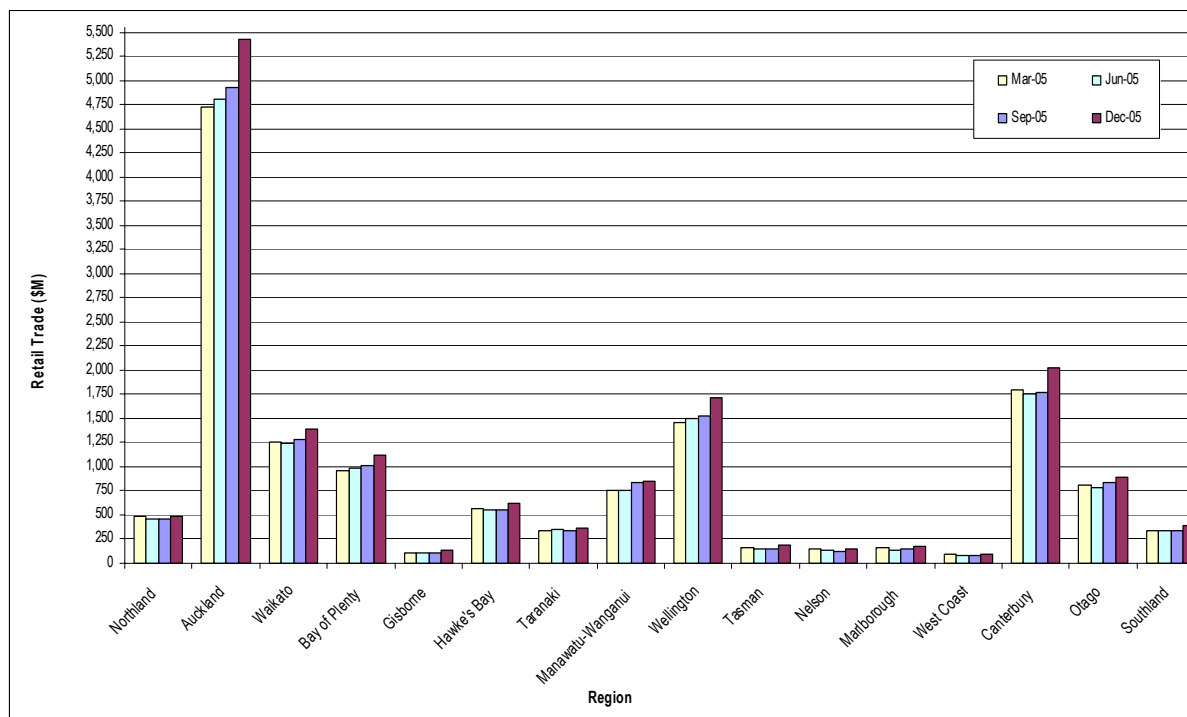


Source: Statistics New Zealand, Regional Labour Market Estimates (Experimental)

Retail Trade

- The value of retail sales for the Nelson, Tasman and Marlborough Regions were \$144 million, \$191 million, and \$179 million respectively in the December quarter of 2005.
- The year-on-year growth rate in the value of retail sales for Nelson, Tasman and Marlborough Regions was -13.3%, 16.4% and 5.0% respectively for the year to December 2005.
- Nationally, the value of retail spending in the December 2005 quarter was 5.2% higher than in the December quarter of 2004.

Retail Trade

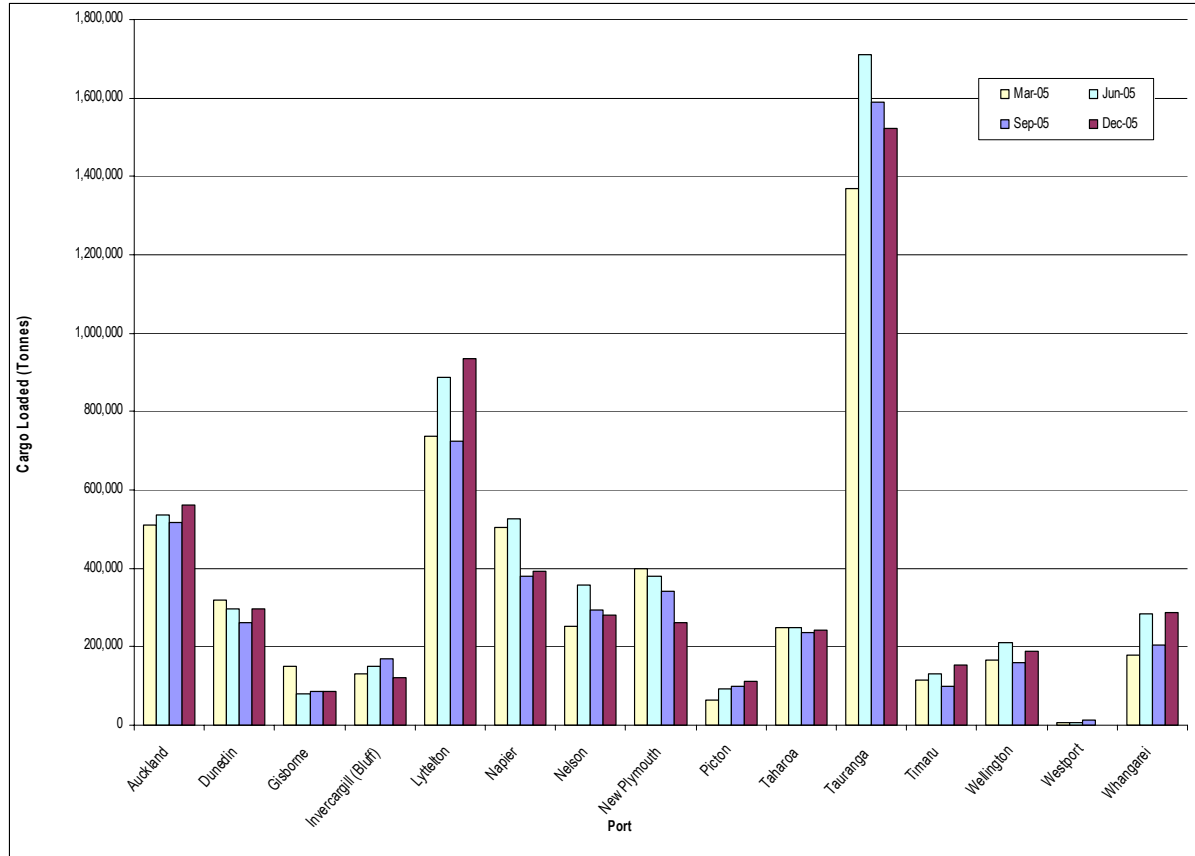


Source: Statistics New Zealand, Retail Trade Survey

Cargo Loaded

- There was a -14.6% and 10.5% change in the number of tonnes of cargo loaded at ports located at Nelson and Picton between the December 2004 and December 2005 quarters. There was a 0.5% increase in the tonnage loaded in New Zealand over the same period.

Cargo Loaded

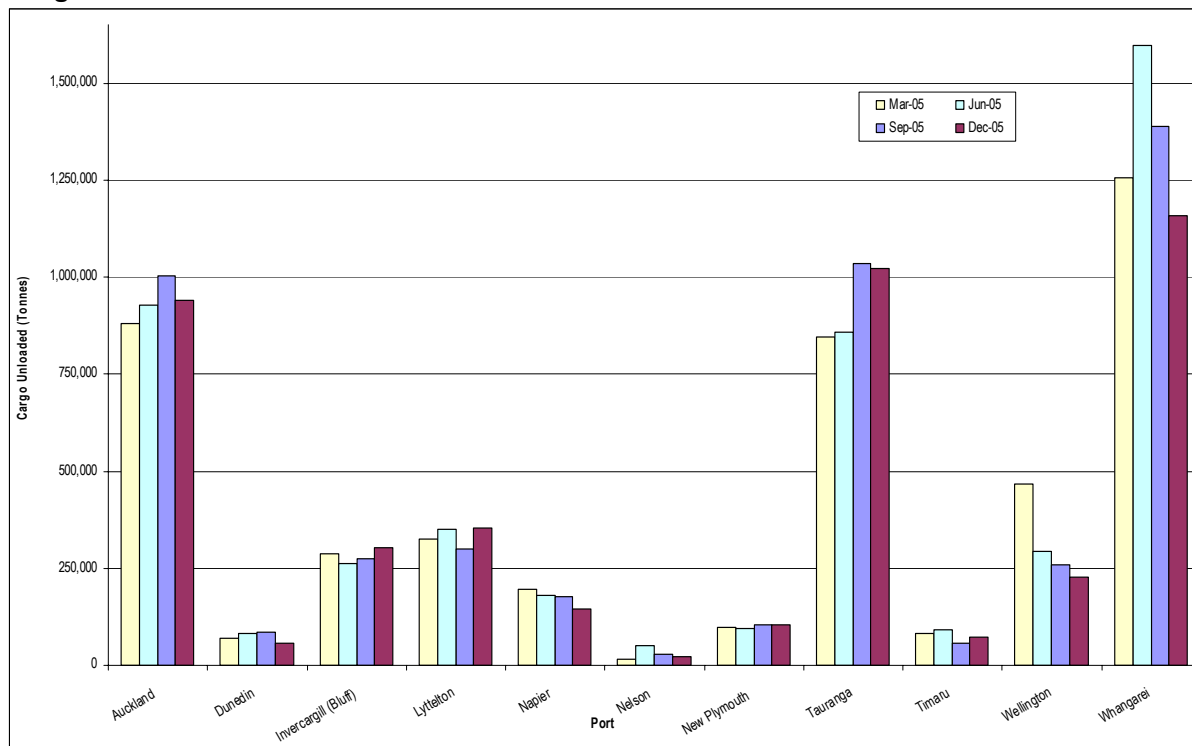


Source: Statistics New Zealand, Overseas Cargo Statistics

Cargo Unloaded

- There was a decrease of 48.4% in the tonnage unloaded at the Port of Nelson between the December 2004 and December 2005 quarters. There was a 15.4% decrease in the tonnage unloaded in New Zealand over the same period.

Cargo Unloaded

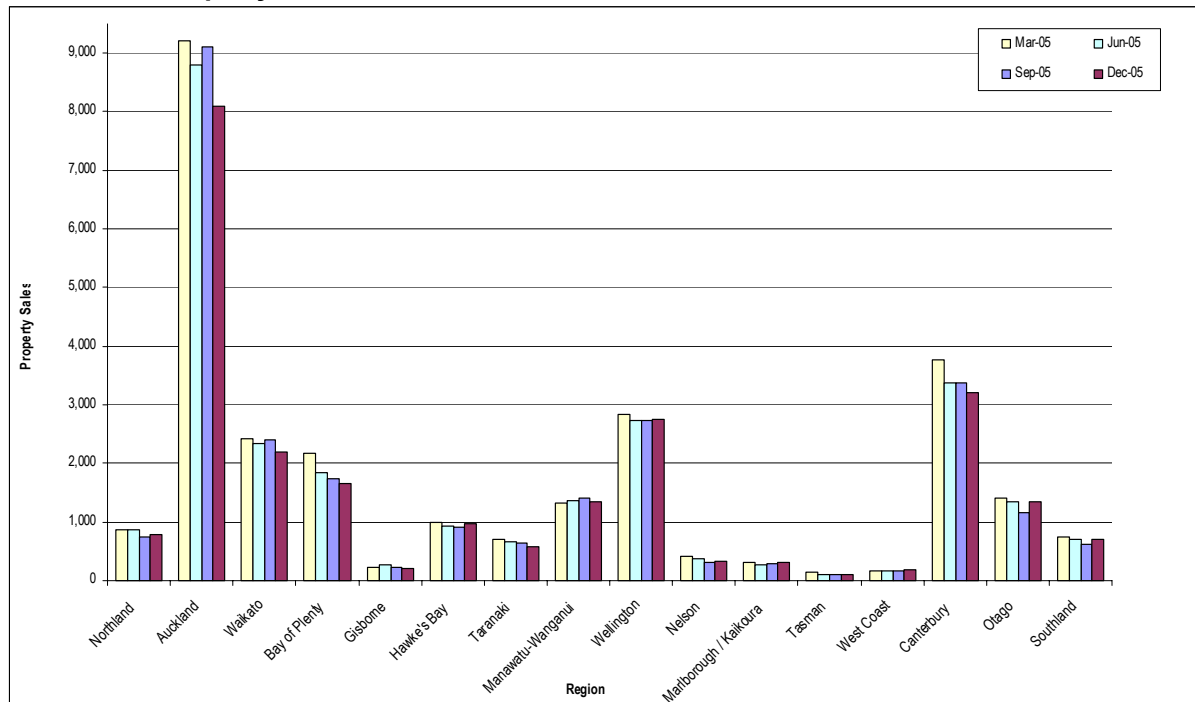


Source: Statistics New Zealand, Overseas Cargo Statistics

Residential Property Sales

- The volume of property sales in Nelson, Marlborough/Kaikoura and Tasman changed by -4.4%, -2.8% and 0.3% respectively between the December 2004 and December 2005 quarters.
- The volume of residential property sales in the December quarter of 2005 at the national level was 5.0% lower than in the December quarter of 2004.
- For December 2005 the national median list and sale prices were \$300,000 and \$295,000 respectively and the median time taken to sell a house was 27 days.
- For Nelson Region in December 2005 the median list and sale prices were \$305,000 and \$289,500 respectively and the median time taken to sell a house was 38 days.

Residential Property Sales

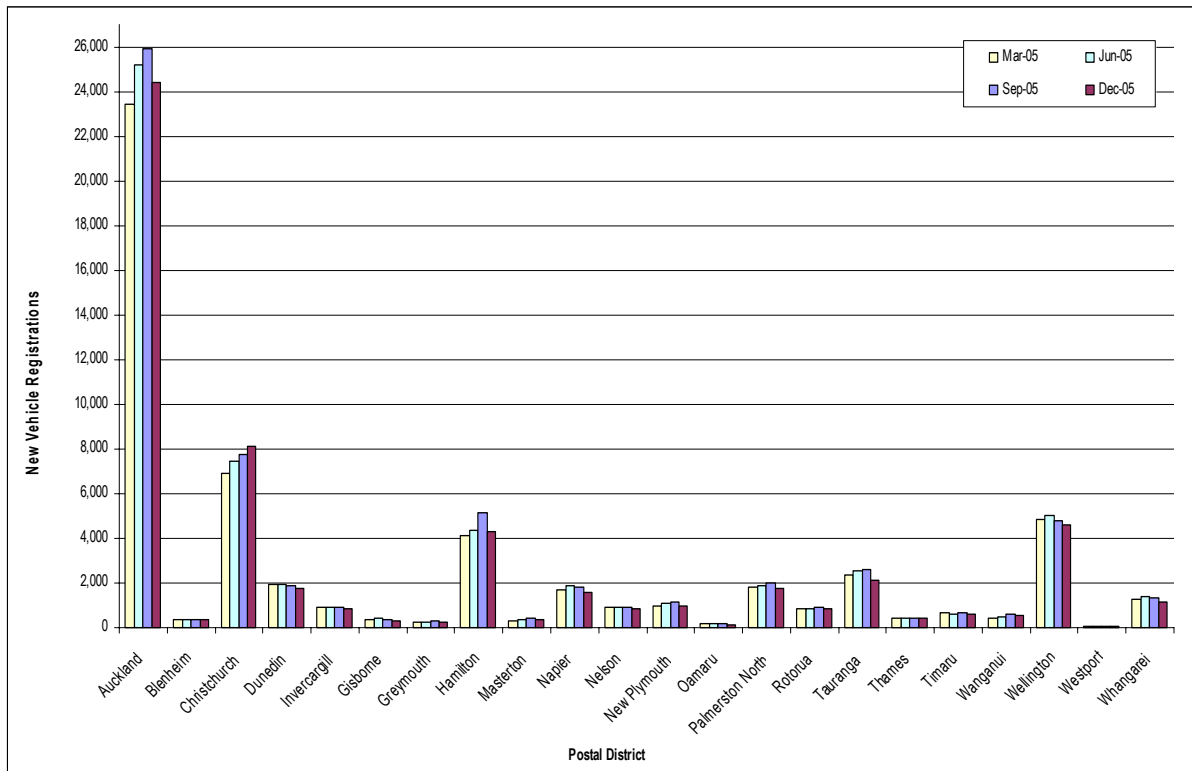


Source: Real Estate Institute of New Zealand Incorporated

New Vehicle Registrations

- In the December quarter of 2005, 843 new vehicles were registered in the Nelson and 386 in the Blenheim. These figures represented 0.2% and 4.9% changes in the number of vehicle registrations recorded between the December 2004 December 2005 quarters in Nelson and Blenheim respectively. The number of vehicles registered in New Zealand increased by 0.6% over the same period.

Vehicle Registrations



Source: Land Transport Safety Authority